

**NARCOTICS-RELATED FOREIGN AID SANCTIONS:
AN EFFECTIVE FOREIGN POLICY?**

REPORT

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FOR THE
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CONTROL**
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SENATE CAUCUS ON INTERNATIONAL NARCOTICS CONTROL

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LETTER OF SUBMITTAL

CONGRESSIONAL RESEARCH SERVICE,
THE LIBRARY OF CONGRESS,
Washington, DC, August 28, 1987.

Hon. JOSEPH R. BIDEN, Jr.,
Chairman, Caucus on International Narcotics Control
and
Hon. ALFONSE M. D'AMATO,
*Cochairman, Caucus on International Narcotics Control, U.S.
Senate, Washington, DC.*

DEAR CHAIRMEN: I am pleased to submit an edited transcript of the CRS-sponsored seminar "Narcotics Related Foreign Aid Sanctions: An Effective Foreign Policy?"

In response to your request, CRS invited a number of distinguished analysts and policymakers to present their views on this issue and to suggest possible U.S. policy responses. Raphael F. Perl of the Foreign Affairs and National Defense Division arranged and moderated the seminar and prepared the transcript for publication. The CRS administrative coordinator for the seminar was Chad Wilson. Scott Green and John Bentivoglio of the Senate International Narcotics Control Caucus provided valuable conceptual contributions and assistance in the preparation and execution of this project.

I believe that this presentation of the views of leading experts will contribute to our knowledge of this important subject.

Sincerely,

JOSEPH E. ROSS, *Director.*

FOREWORD

FOREIGN AID SANCTIONS SEMINAR, SEPTEMBER 1, 1987

The Senate Caucus on International Narcotics Control is charged with periodically reporting to the Senate on matters within its jurisdiction. At our request, the Congressional Research Service assembled a panel of experts to examine an important tool of the U.S. Government's international narcotics control policy: narcotics-related foreign aid sanctions.

The international cultivation and trafficking in drugs continues to grow. Recent U.S. Government estimates show drug production skyrocketing with no significant decreases predicted in the near future. One of the most controversial means of addressing the international narcotics production problem is through the use of narcotics-related foreign aid sanctions. Congress turned to such sanctions again in the Anti-Drug Abuse Act of 1986, which requires the U.S. Government to withhold foreign aid to all major illicit drug producing and transshipment countries, unless the President certifies that such countries have cooperated fully with U.S. drug control efforts, or that national security considerations justify certification. The efficacy of such sanctions became a major foreign policy issue this year when the President submitted his first certification message to Congress under section 2005 of the Anti-Drug Abuse Act of 1986. While Congress and the Administration have, in general, endorsed narcotics-related foreign aid sanctions as one tool of the U.S. Government's international narcotics policy, the use of sanctions against specific countries at specific times has spurred vigorous debate.

The panelists, including representatives from the academic community, foreign nations, and the U.S. Government, presented a broad range of views on the policy decisions involved in the use of narcotics-related foreign aid sanctions. These proceedings bring to light many of the central issues that will frame the future debate as the U.S. Government continues to seek new initiatives to stem the cultivation and distribution of narcotics on the international market.

JOSEPH R. BIDEN, Jr.,
Chairman.

ALFONSE M. D'AMATO,
Co-Chairman.

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NARCOTICS-RELATED FOREIGN AID SANCTIONS: AN EFFECTIVE FOREIGN POLICY?

REMARKS OF JOHN HARDT, ASSOCIATE DIRECTOR, CONGRESSIONAL
RESEARCH SERVICE, LIBRARY OF CONGRESS

Opening Remarks

Mr. HARDT. I appreciate your coming to our workshop and I bring you greetings from our Director and welcome you to the kind of workshop that we like to conduct for the Congress, in this case on the foreign aid implications of narcotics trade.

We are enjoined to have objective, non-partisan, discussions that will be timely and useful to the Congress. The group here assembled is attempting to deal with the problem of reducing the flow of illicit drugs and its related questions.

The panel, moderated by Raphael Perl, is a distinguished one, as you can see. The record of this meeting will be quite useful to the Congress and to the community. We have put together various source and reading materials, and anyone who is not fully familiar with the resources that CRS has, which relate to international narcotics control, can obtain from us a list of other CRS publications and documents that would be useful in your analysis.

REMARKS OF RAPHAEL PERL, SPECIALIST IN INTERNATIONAL
NARCOTICS POLICY, CONGRESSIONAL RESEARCH SERVICE

Panel Introduction and Overview of Issues

Mr. PERL. I am Raphael Perl, with the Congressional Research Service and I would like to welcome you on our behalf, and also on behalf of the Senate International Narcotics Control Caucus, at whose request we are sponsoring this seminar today on narcotics-related foreign aid sanctions: an effective foreign policy?

We have provided our panelists today with a list of questions to help with the overall focus of the subject matter of today's seminar. As moderator today I ask you, the seminar's participants, to keep these questions in mind when you make your questions and comments.

The questions are: number one: do potential sanctions give the U.S. the leverage needed to achieve better cooperation with illicit drug-producing or trafficking countries? Number two: what is the effect of a sanctions-oriented policy on other aspects of U.S. foreign policy? Number three: under what conditions could or should sanctions be utilized? And number four; what additional options might Congress want to consider?

Our panel today includes Marian Chambers, from the Task Force on International Narcotics Control on the House side; Jack Blum,

Special Counsel, of the Senate Foreign Relations Committee; the Honorable Fernando Illanes, Ambassador of Bolivia to the United States; Richard Craig, Associate Professor of Political Science at Kent State University; and Robert Gelbard, Deputy Assistant Secretary for Inter-American Affairs at the Department of State.

Our first speaker will be Marian Chambers. She will share with us a view from the House side.

PREPARED REMARKS OF F. MARIAN CHAMBERS, STAFF CONSULTANT,
COMMITTEE ON FOREIGN AFFAIRS, TASK FORCE ON INTERNATIONAL
NARCOTICS CONTROL, U.S. HOUSE OF REPRESENTATIVES

*Reasons Why International Narcotics Control Programs Worldwide
Are Not Effective*

Ms. CHAMBERS. Good morning. Our task force on International Narcotics Control yesterday had a hearing with the General Accounting Office on our international narcotics control programs worldwide and their preliminary findings regarding that.

There were sort of two general observations or conclusions that we came away from that hearing with. One was that our programs are not working, our international narcotics control programs overseas are not working because of lack of cooperation and, in some instances corruption in the host governments. But just as importantly, there are problems in management on the U.S. side.

While this seminar is focused more on the first part of that equation than the second, I personally think the second is equally important and I would like to make a few remarks about that at the end.

Types of Sanctions Congress Considers

There are two kinds of sanctions that the Congress has been considering in the last few years. One are what I would call generic sanctions which apply worldwide. The most obvious example of which is what we put in the Drug Bill last year, which requires the Administration to withhold 50 percent of the foreign aid to every major drug producing country unless the President can certify that they have been fully cooperative.

The other kind of sanction has been country specific. While the former, the generic one, I think is more intended by the Congress to reflect the kind of priority we want narcotics control to have in our foreign policy, country specific sanctions tend to reflect unhappiness with the specific country's performance. The House has tended to focus a little more on country specific sanctions.

Effectiveness of Sanctions

One of the questions you are looking at today is how effective are sanctions. I think it depends largely on how carefully targeted they are. I think to be effective they have to be linked to what is of importance to the country being targeted and also to our particular concerns in that country.

There are different issues in different countries. In Bolivia, for example, the main focus of concern is production of illicit coca. In the Bahamas, on the other hand, which is not a producer country,

the issue is transit of cocaine and marijuana from South America to the United States.

In Panama, it is largely an issue of money laundering, rather than production or transit, although those are both issues as well. In Thailand, I think one of our greatest concerns is the need for conspiracy and asset seizure laws.

So there is a whole range of issues, I think, that the Congress is concerned with in drug producing and drug transit countries.

In terms of the different kinds of sanctions that I think are most likely to be effective in a particular country, I think it varies a great deal. Foreign aid is not always an effective sanction, or even a possible sanction. Not all drug producing and transit countries receive foreign aid from the United States.

In the case of Bolivia, for example, or Pakistan and Jamaica, which are reasonably large U.S. aid recipients, that is one option. But there are other types of sanctions which can also be considered for countries that are not major recipients of U.S. foreign aid.

For example, in the Bahamas, tourism is the major industry and I think there is a bill that has been introduced here on the Senate side which addresses that issue by saying we will consider cutting off visas or affecting the visa process between the United States and the Bahamas. That clearly, would have a greater impact on the government of the Bahamas than foreign aid, which we do not provide to them.

In the case of Panama, the U.S. Branch Bank System would probably be a more effective sanction, for example, than foreign aid. In Colombia, things like cut flowers or coffee are important to that country, as opposed to foreign aid which, again, we give very little of.

In terms of the effectiveness of sanctions, I think there are some valid questions both ways, as to whether or not they are effective. I think we have a few examples of where they have been. Turkey, in the early 1970's, when President Nixon put enormous pressure on that country to get out of the opium production business, is an example of an effective sanction.

I also think, although the Ambassador may disagree with me, that the limited sanctions we have enacted on Bolivia have helped to enable that government to meet very stiff domestic opposition from their coca growers to do some very courageous things, like Operation Blast Furnace, which might not have been possible without the concern of the Congress having been expressed.

Sanctions Need Not Necessarily Be Enacted To Be Effective

I also think that sanctioning does not necessarily have to be enacted to be effective. I think a very strong expression of concern can be just as effective, in some cases, as actual legislation. As an example of that, I would cite Brazil where a couple of years ago we were very concerned about the fact that they had not signed a narcotics agreement with the United States and we introduced legislation to reduce their sugar quota to the United States unless there was a signed narcotics agreement between the United States and Brazil.

That legislation was never enacted, but the government of Brazil did, in fact, sign a narcotics agreement with the United States. I do not think we would take credit for that, but I think it was effective in terms of raising the level of concern that we had over that issue.

Role of Congress and the Role of the Executive in Applying Sanctions

In terms of the role of Congress, the executive branch often accuses us of micro-management on the issue and I think there is probably some merit to that. I think the Congress would be glad, largely, to leave sanctions to the executive branch if, in fact, the executive branch would use the sanctions effectively. Up until now there has been no evidence that they have been prepared to do that.

For years, under the original Gilman-Hawkins legislation, the Congress did leave to the President the decision as to whether or not sanctions should be applied to any one country. The President never chose to use that option.

I think there are probably too many excuses within the system to let the executive branch really apply, in most cases, the kind of pressure that needs to be applied with uncooperative drug countries.

I think Congress has shown patience with countries that at least give the appearance of trying to do something about the drug problem and probably a little less patience with those where there have been no results that have been shown or with those countries which seem to actively subvert the ongoing programs that we have.

Need To Apply Sanctions to Executive Branch

Finally, I would just say that I think in some sense sanctions need to be applied to the executive branch as well as uncooperative host countries when they fail to carry out the priorities that the Congress has stated that it thinks are important, and when they fail to manage our programs well, which also contributes to a lack of results in other countries. I think it is just as important to make sure that we are doing everything on our side, in terms of cooperation between agencies, adequate resources, and adequate management, as it is to gain the cooperation of host countries.

Thank you.

PREPARED REMARKS OF JACK BLUM, SPECIAL COUNSEL, COMMITTEE
ON FOREIGN RELATIONS, U.S. SENATE

Mr. BLUM. I will start off by saying that my views this morning are my own. I cannot speak for the Foreign Relations Committee on any of its members. I have been working on this investigation for several months. I started on the first of March, and I have developed some views on the subject and I will try to share them with you as candidly as I can.

Certification Process and Sanctions Alone Will Not Solve the Drug Problem

My opening shot here was on the question of sanctions resulting from the certification process. You will recall the Administration had to certify that the countries involved in narcotics were fully cooperating with U.S. Law enforcement efforts. We looked at the report and said, "My God, they have not read their own report," because if you read the report, it is clear many countries were not "fully cooperating," within the meaning of the law.

That led to a number of members of Foreign Relations introducing Resolutions of Disapproval of the certification.

The further into disapproval I got, the more I was reminded of the Consumer Reports story I had read on an insect destroying device, you know these electronic insect zappers that have a light and an electric grid behind it.

They are wonderful. They kill all kinds of insects like moths and things like that, but they do not get what you really want, which are the mosquitos, because mosquitos are not attracted to light. Consumer Reports concluded that if you liked it because of the emotional satisfaction it gave you, you could go ahead and buy one. Hang one up and you could watch those innocent insects fry but you were not going to kill the mosquitos.

I had the sense about the entire sanctions process. For example in the case of the Bahamas, it was a joke as a lever principally because the only foreign assistance we were providing was assistance in stopping drug trafficking. Now, what do you do?

In effect, the only reason for a resolution of disapproval is to get the people to focus on the fact that the certification of the Bahamas by the Administration was something worse than absurd and that nobody took the process seriously.

Need for Change in Attitudes by Law Enforcement and Foreign Service Policy Makers

One of my first impressions of this entire problem has been that there is an attitude problem. It is the police, the prosecutors and policemen on the street, the people in the world of law enforcement, who look at the diplomats as people who are traveling in a different orbit, possibly orbiting a different planet. They see them as having totally different concerns and not being terribly interested in day to day law enforcement affairs, perfectly willing to sacrifice real efforts to do something about drugs to larger and more sophisticated concerns about relations between two peoples.

On the other side of it, the foreign service people have had the tendency to look at the larger picture and say well, that is only part of our overall relationship with this country, we really ought to stop trying to keep this up on the front burner as the most important issue. And that tension creates terrible difficulties in getting anybody to take anybody else seriously. And that attitude problem has to stop.

Somewhere along the line, both sides are going to have to begin to take each other very seriously and understand that, for example, in our relationship with certain countries there is no other foreign policy issue, that the countries in question are not governments.

They would qualify as continuing criminal conspiracies under U.S. federal law. With a little bit of luck, we could get enough material to indict most of the cabinet of some of these countries.

When you start looking at it that way, you begin to understand that the two sides had better come together and better begin to function together.

Cooperation on Paper May Fall Short of Real Cooperation: The Case of the Bahamas

The question of how to solve this problem has less to do with high technology and paper "cooperation" as we try to build enforcement mechanisms into our various foreign assistance bills. On paper, there is no country doing a better job of cooperation than the Bahamas. They come to us and they say we let your helicopters land here, we have put up all kinds of radar, we have done the following 27 things to assist you.

Indeed, it looks terrific and there are people here who say indeed, they have done it all. What other country in the world, they say, would allow U.S. aircraft to overfly their airspace and intercept planes?

The problem is that two very peculiar things happen. One, when the U.S. aircraft intercept an incoming drug flight in the Bahamas, the Bahamians make the arrest and the Bahamians seize the drugs. The Bahamians will not permit us to watch the drugs being destroyed and the Bahamians release whoever is arrested on bond the following day.

What has happened is the Bahamians then turn around and, this is at all levels, put the drugs right back on the market. In fact, what we are doing with our assistance is improving their capacity to be pirates. The cost of cocaine in some parts of the Bahamas is now down to \$2,000 a kilo. That is really the pirate's premium off the top of the cost.

Criteria for Employing Sanctions: A Universal Checklist of What Constitutes "Cooperation" Would Not Be Useful

What is the definition of cooperation? They have done it all. We can fly into their territory. There is always that one further thing that will totally disable all the prior cooperation. Objective standards, and this kind of thing, based on a checklist are worthless.

The question is what is the reality and I think that we have to be able to get people to think in terms of those realities and then to deal with it in that kind of way. It is very hard to try to get an administration to respond to a little checklist and get them to do what you want them to do by writing it into a foreign assistance bill.

The worst part of this problem is that where the foreign assistance is genuinely needed, something else happens. However outrageous the performance of the country involved, Congress will find a way not to impose the sanction or the administration will find a way not to impose the sanction.

It really is a pointless kind of exercise, but it does force people to take the drug issue seriously. The outgrowth of the debate, both in the committee and on the floor, was to shock the State Department

into realizing they dare not send the Foreign Relations Committee a report that laid out some of the things it did on some of the countries it did, and with it a certification saying they are fully cooperating.

Secondly, it showed that there were members who actually believe that something had to be done about the flow of narcotics as a first priority. I think that that was a very healthy exercise. I think it also forced top management at State to start taking the issue seriously.

In U.S. Foreign Policy, Problems in the Caribbean and South America Are Not Generally Given First Priority

One of the problems in our world of foreign policy is that the Caribbean and South America generally tend to fall off the plate in the global scheme of things. We get the great issues of Europe and East-West, arms control, the middle east. What tends to happen is that if there is a problem in the Caribbean, that is possibly the last thing that anybody seriously pays attention to.

I think we have all experienced, in one way or another, the kind of reluctance of members to approve staff trips to the Caribbean region at any season, on the theory that it cannot be for serious business. You are undoubtedly going to go down there to do something that has nothing related to work behind it.

I think that that attitude is also pervasive in parts of the diplomatic world and the people who work with these problems are not treated as seriously as the people who do the heavy political things in western Europe. The consequence of all that is that a lot of the issues that should be given front burner attention, because they have a profound effect on the United States, tend to get lost in the backwater.

Need To Assign Higher Foreign Policy Priority to Narcotics Issues

If I had to look at what it is we can do, that is probably more important than anything else, it is to connect the anger many members feel over the impact of this traffic on the United States with the overall posture of U.S. foreign policy and the overall posture of U.S. diplomacy and get the folks who are in the various bureaucracies that are dealing with Congress, within the various departments, that are trying to do it, whichever side they are on, to understand that there is agreement and that this is priority business and that when you have a government that is a real troublemaker in the area of non-cooperation, things will happen and things will be done and there will be the political support and the will to back it up.

I have been spending a lot of time talking to drug dealers and to people in prisons. I think one of the things I will do when I finish this job is write a guide book to the Federal prison system, I visited so many people in different places.

The uniform sense of things is that we spend more time, and I am talking now about what drug people say, paying informants and trying to make statistics and not looking at the overall problem. And in the process, we lose the war absolutely. Everybody

makes their own little departmental goal and the overall traffic just keeps booming right along.

Thank you.

PREPARED REMARKS OF FERNANDO ILLANES, AMBASSADOR OF BOLIVIA
TO THE UNITED STATES

Ambassador ILLANES. I would like to thank the Congressional Research Service for inviting me to participate in this seminar, which is studying the use and effectiveness of foreign aid sanctions as an instrument of U.S. narcotics and foreign policy.

This forum provides a welcome opportunity for me to engage in a first-hand exchange of information, ideas and opinions with the people in Congress and the Administration who have a direct role in the formulation and execution of any sanctions policy.

Actually, I think this is the first time representatives from the Administration, Congress and my government have ever sat down together in the same room at the same time to examine this most important question. So, for that reason alone, I am glad to participate in this seminar.

Foreign Aid Sanctions From the Bolivian Perspective

My remarks today are necessarily focused on how the government of Bolivia views foreign aid sanctions to effectuate U.S. narcotics and foreign policy.

From our perspective, foreign aid sanctions are an ineffective substitute for a sound, reasonable and consistent policy. They should only be invoked as a last resort, when all else fails. Moreover, sanctions should be limited to the most egregious situations and to instances where a foreign country's policy is blatantly opposed or inimical to U.S. policies.

In our view, sanctions should not be employed as a means of expressing displeasure over the pace, nor the policy, of a foreign government's actions with respect to illicit narcotics because if this was a valid reason then a strong case could be made for applying sanctions against the U.S. for the delay in forming an alliance with drug producing countries and particularly with Bolivia in the war against narcotics trafficking.

Reasons Sanctions Seen as Counterproductive

Let me offer this group a few other reasons why sanctions are counterproductive and oftentimes have an opposite effect than the sponsors intended.

In some cases, sanctions are simply ignored by the country because they create no real economic hardship. In other countries the sanctions cannot be ignored because of the severe internal political impact they cause. Political extremists and even moderate factions use the threat or actual imposition of sanctions as leverage over the government. To them, sanctions prove the imperialist intentions of the U.S.

In the case of Bolivia, sanctions play right into the hands of the narco traffickers. Simply stated, sanctions drive a wedge between our joint commitment to put the drug trade out of business. Sanc-

tions weaken our alliance by conditioning or limiting your participation.

The narco traffickers obviously are delighted with the use of sanctions because anything that makes our mission harder or more impossible increases the chances for failure. And in the event we fail, the net result will be a damaged government and, worst of all, a weakened democracy that will be unable to strengthen its relationship with the United States.

Need To Focus on Cooperation and Solutions to Problems

Finally, some countries become preoccupied with how to deal with, or get around the sanctions. The sanctions, and not the underlying problem that gave rise to the sanctions in the first place, become the overriding concern. Solutions to the problem itself are forgotten.

All three of these factors are at work in Bolivia as we attempt to have your government join us in fighting the drug trade.

It is incomprehensible for us that the U.S. Congress would resort to sanctions against Bolivia. We are not the enemy. The drug traffickers are the enemy. We should not be fighting among ourselves. Rather, we should be reaffirming our alliance and squaring off together against the narco traffickers.

Bolivian Commitment To Eradicate Illicit Cocaine Production

There seems to be a false perception around Washington that all Bolivia wants is the U.S.' money. That is not so. We have pushed, prodded, badgered and cajoled the U.S. into forming an alliance with us to combat the powerful drug trade. We have resolved to do our part, which is nothing less than the complete eradication of illicit cocaine production.

If this is our common goal or objective, why then is the U.S. threatening to withdraw its support from this united effort? How have we wavered in our commitment? We have not. It seems to me that unless we come together in a united effort to whip this problem, no sanctions, no matter how punitive or restrictive, will force us to respond to U.S. demands.

You see, the simple truth is that we are not in this to please or satisfy the U.S. Congress, the Administration or, for that matter, public opinion. For the past two years, the government of President Paz Estensoro has championed a tough anti-drug policy. It was only last year that your Congress finally passed and your President signed a similar policy.

If there has been a lack of clarity and consistency, it has not been the fault of the Bolivians. But that is not the real point. The real issue is that both countries now realize that drugs are a dangerous and deadly serious problem.

We certainly are not immune from the horrors of drugs. We have mothers and fathers whose children are abusing drugs. If we fail to stop this deadly business, we will lose more than sons or daughters, we will lose our entire country. Thus, it is not the threat of sanctions that has caused us to adopt a tough new policy with respect to drug traffickers. Rather, it is a genuine sense of

self-preservation, to save our culture and democratic institutions that has prompted us to move against the drug trade.

Economic Impact of Cocaine on Bolivian Economy Contrasted to Level of U.S. Aid

I do not have to tell this group how impoverished my country is. But let me just draw a comparison between the level of U.S. aid and the cocaine trade to illustrate how profitable the illicit drug business has become. Under the best of circumstances, that is without sanctions, the total of U.S. ESF assistance to Bolivia is roughly \$30 million for the next fiscal year.

On the other hand, the cocaine trade represents for Bolivia an estimated \$600 million, only slightly less than our legal export income.

Put still another way, cocaine produced in Bolivia has a wholesale value of \$2.5 billion. Bolivia's total GDP is only \$3.5 billion annually. Thus, the withdrawal of U.S. aid, while harmful, constitutes a minor blow, a drop in the bucket, and simply cannot be expected to have the kind of impact some believe it will.

This does not mean, however, that we consider the loss of U.S. aid inconsequential. It is not. Indeed, we will require more, not less, participation from your Government. But if you compare how much Bolivia presently receives in U.S. aid to the amount of money the cocaine trade produces, it is not hard to understand the enormity of the task that lies ahead.

In many respects, the seizure and destruction of hundreds of cocaine producing labs last summer caused more damage to our economy in terms of lost revenue than the termination of U.S. aid could ever have. This is how deeply entrenched this problem has become in my country.

Concern That Future Aid Restrictions Might Hamper Effectiveness of Bolivian Anti-Drug Efforts

As partners, the U.S. and Bolivia need to depend on each other for mutual cooperation and support. Basically, one side needs the other. In recent days, however, I have become concerned that the U.S. is hardening its demands for strict adherence to numerical goals and threatening to attach additional and unworkable conditions on future aid requests. If this occurs, we may never attain the original goal of this partnership, which was to wipe out the drug trade.

Bolivia Seeks U.S. Cooperation To Conclude Long Term Eradication Agreement

Since Operation Blast Furnace last summer, which ended late last year, my government has been negotiating with the Reagan Administration on a long-term initiative to eradicate all non-traditional coca production. Negotiations were stalled due to a variety of factors not the least of which was the form as well as the amount of U.S. participation to be provided.

Everyone, I believe, seems to agree that the U.S. must provide aid to Bolivia in order to eliminate this terrible scourge as Presi-

dent Reagan calls it. Bolivia has the will but not the means to do the job by itself.

Yet nearly nine months after negotiations began, there is still no final accord. Bolivia sits in the middle of a great debate between the executive and legislative branches of the U.S. Government over what constitutes permissible assistance to my country.

In the absence of a strong policy from the Administration, Congress has moved in another direction by imposing conditions on aid without any apparent consideration of the damage that would occur to our partnership. Congress is essentially demanding results before funding your participation.

Incredibly, neither side appears to be working with the other. In the meantime, Bolivia waits. We wait to conclude an agreement, we wait for the U.S. to provide its share of the costs necessary to implement our eradication program. And yet, we are criticized by some and portrayed by others as being recalcitrant and uncooperative. This is false. Sadly, while we are fighting among ourselves, the cocaine traffickers are doing a great business.

Opposition of Bolivian Domestic Groups to Proposed Eradication Plan

No doubt many of you saw an article in this Monday's New York Times about the stiff opposition that is developing in Bolivia against our eradication plan. For the most part the article was accurate. There is significant resistance, and the longer we wait to act, the stronger the narcotics traffickers will become. The drug traffickers are protecting their turf by stoking the fears of the peasants who are the unfortunate pawns in this dirty business.

The cocaine dealers have so aroused the peasants that our small, limited police and drug forces have been chased from the Chapare region, the primary coca growing area.

Believe me, the inaction on the part of the U.S. has not gone unnoticed in La Paz and it has caused some in my government, and even the general public, to question the seriousness and depth of the U.S. commitment to the war on drugs.

The point is that Bolivia's courageous stand against the drug traffickers is not without considerable political and personal risk. The drug traffickers are deadly serious about destroying any eradication program. Consequently, we cannot wage a war against the drug trade unless your government and the international community stands behind us until a final victory is assured. To do otherwise would be both foolish and dangerous for us.

Sanctions Work Against U.S.-Bolivian Mutual Objectives

Thus, the U.S. position on sanctions appears to me to work against our mutual objectives, and unfairly penalizes countries like Bolivia that are pressing to form an alliance with the U.S. in this struggle against drugs.

Congress and the Administration agree on the need for a strong policy against drugs, but they cannot agree on the best approach to deal with this problem. What is Bolivia, which has resolved to wage war against the drug traffickers, supposed to do? From whom do we take our cue? To whom do we look for help?

Clearly, as I said before, any long-term solution to the drug problem requires a partnership between producing and consuming countries. Accordingly, it is my view that foreign aid sanctions, insofar as Bolivia is concerned, are counterproductive, unwise and may actually prove to be an impediment to achieving the goal which we both seek.

My great fear is that if U.S. policy in this area continues to be blocked by bureaucratic fears of Congressional disapproval, or threatened by aid cutoffs or unworkable conditions and unrealistic goals, then we are simply never going to convince Bolivians, Americans, and most especially the drug traffickers that we are serious about winning the war on drugs. We may as well concede victory to the drug traffickers right here and now and save ourselves the funds as well as the trouble that will ensue.

The fact is that Bolivia cannot easily satisfy our own desire for eradicating coca production without a coherent plan and a sustained level of political and financial support from the U.S.

Sanctions only poison the atmosphere. They work to destroy the kind of cooperative effort that is necessary to achieve success.

Our offensive against the drug trade signals a new era of cooperation and partnership between our two countries. What has happened before in previous governments cannot be undone. And the use of sanctions by the U.S. to show its displeasure for past errors, failed policies, or unkept promises of previous unconstitutional governments or by governments that did not share President Paz's commitment to destroy the drug trade is neither justified nor, in the final analysis, will it be effective.

Make no mistake, this Bolivian government intends to keep its promise to our people to eliminate the illicit drug business from our country.

Thank you.

Mr. PERL. Thank you, Mr. Ambassador, for a very eloquent and stimulating presentation.

PREPARED REMARKS OF RICHARD CRAIG, ASSOCIATE PROFESSOR OF
POLITICAL SCIENCE, KENT STATE UNIVERSITY

Mr. CRAIG. Let me begin with repeating what essentially is a truism. I am honored to be here. I am not putting you on. For a humble professor from Kent State University, this is quite an occasion.

I want to thank Raphael for assembling this kind of panel. I do a lot of paper giving, a lot of writing in this area, and this is one of the few times in about ten years I have ever been on a panel that has the balance that this one does. In particular, I am very happy that the Ambassador decided to be a part of this.

I have kind of shortened the nature of the title, but in a sense it is broader because it has become "narcotics-related sanctions," not just the income type, "an effective foreign policy?" Of course with the question at hand, you might put it in the vernacular, "a North-east Ohio university professor's suggestions to experts in Washington far more knowledgeable than he on how best to gain narco-cooperation from Latin American leaders who have forgotten more about their nation's realities than he will ever know."

Sanctions as a Viable Policy Option

Let me begin with some key points on the question of sanctions as a foreign policy option in general. First, sanctions have long been accepted as a legitimate means to achieve foreign policy goals. The United States has been the world's greatest practitioner of this art.

Second, the entire sanctions scenario is a classic example of what we in political science call linkage politics. It is not the linkage kind of politics that you are thinking of. Instead it is the inter-relationship between domestic and foreign policy in this country, how they are inseparable, how they overlap, how they impinge on each other.

It involves important domestic, as well as foreign policy ramifications. The domestic implications may prove paramount, particularly as they satisfy grass roots demands to "do something" about the drug problem.

Third, U.S. leverage may prove inadequate. We are not all powerful, as you well know.

Fourth, the aim of sanctions is to bring about a change in source country narcotics policy that best supports the primary goals of U.S. international narco politics: Eradication and interdiction at the foreign source.

Fifth, economic sanctions just may not accomplish their stated goal. The cure may, in fact, prove worse than the disease. In that regard, and here are some possible points, none of which is that original:

Pitfalls of a Sanctions Policy

Point A, the source state just may refuse to comply and say, in effect "stuff it up your own nose."

Point B, the U.S. may not be supported by other "high consumption" nations or by international support organizations. They may not go along with the sanctions.

Point C, sanctions may be opposed by U.S. economic interests doing business in the source state or being affected, for example, by a tourist boycott of let us say the Bahamas. There is a lot of business involved in this, a lot of bucks.

The best example of this that I can think of is something that I know an awful lot about, I have written considerably on it, and this was Operation Intercept in 1969, along the U.S.-Mexican border, a policy that most of you are very well aware of nowadays. It has been repeated ad infinitum since 1969.

The one thing that they did not count on when they instituted this blockade was the reaction of American businessmen, on our side of the border, and literally they screamed bloody murder because they were being squeezed to death by this blockade that was supposed to make Mexico come around.

Point D, what might the results be should the sanctions involve import barriers? They might upset that "great contemporary rarity," a favorable balance of trade.

Point E, sanctions may solidify in power the source country government, as all domestic actors rally round the flag of anti-Americanism. The Ambassador's remarks are very pertinent to this case.

Point F, they will very likely bring strong support to the target state from other Latin American nations. I will qualify that. There is no "may" about it, they will bring strong support.

Point G, the sanctions threat may force the source nation to make the worst possible kind of choice, not comply and lose critically needed foreign aid and/or markets for its legitimate exports; or comply and be toppled from power.

Point H, should the latter transpire, the new regime will likely pose a choice of evils for Washington, a military junta or a leftist, decidedly anti-American administration.

Point I, should the source nation comply and survive, and U.S. demand remain constant, a new source country will fill the gap and it may well prove a greater problem.

Implementing a Successful Sanctions Policy

Now, from a different perspective, if the problem is deemed so important that the United States decides to use sanctions anyhow, here are some suggestions for raising the odds on their succeeding. First of all, be sure the source state is dependent and vulnerable to U.S. sanctions. That is, pick on the Bahamas or Bolivia, not Brazil, even though it may have worked indirectly at one time against Brazil. It is a different ball game with weaker, more dependent targets. But even then, you must "rig for trouble" because it is coming.

Point two, be consistent in application of your sanctions, not hypocritical. To wit, begin with Marin County, then go to south Florida, then Jamaica, before you unload on Bolivia.

Point three, your objective must be limited and "reasonable."

Point four, be sure it hurts but does not destroy. You might say "not too little, not too much."

Point five, be prepared to offer far more economic quids pro quo—those of you who know Latin may correct me on that, I did not know where the S belongs—to the more "cooperative" source nations. In other words, it is going to cost American taxpayers, one way or another, far—with a capital "F"—more money than they are spending now.

Point six, if you are going to use sanctions, do not dilly-dally in execution. Do not slowly turn the screws year after year. This only gives the non-cooperative source state time to rally its domestic and international support forces. In a sense, you might want to adopt the Chinese approach to incursions. You, first of all, warn the recalcitrant state clearly and unequivocally, then you attack.

Point seven, as regards Congress specifically, leave yourself an escape hatch, executive discretion. That way, if the goal is achieved, you get the credit. If not, your home front is secure and the executive gets the blame.

Point eight, recall this universal truth—nations act when and only when they feel that their national interest is threatened, as they interpret it, not as we interpret it.

Point nine, think before you leap. This is very obvious. Weigh the pros and cons very carefully in light of the only principle that really matters, the overall long term national interest of the United States.

And finally, in all the due deliberations, we must never lost sight of Pogo's immortal aphorism in seeking a long term solution to America's drug abuse problem, "we have met the enemy and he is us."

Thanks.

Mr. PERL. Thank you. Bob?

PREPARED REMARKS OF ROBERT GELBARD, DEPUTY ASSISTANT SECRETARY FOR INTER-AMERICAN AFFAIRS, U.S. DEPARTMENT OF STATE

An Effective Foreign Policy Requires Looking at Overall Relationships With Other Countries

Mr. GELBARD. I am not quite sure how to follow that.

It is difficult to follow that for two reasons. One, because Professor Craig's presentation, I think, was excellent. And second, because he said an awful lot of what I was planning on saying.

It is true, as we have heard from the two representatives from Congress so far, that the ongoing battle between the executive and Congress has been a difficult one and it will continue to be a difficult one. It is often considered pejorative to say that we have larger interests and that foreign service officers, in particular, have larger interests in looking at overall relations with a given country or a region. Perhaps this is even a cliché, but it has the benefit of being true, I think, to a very large extent.

We have certainly looked at the overall relationship with all the countries that we deal with on these problems, and the relationships are, in many cases, largely single issues. But much more often, however, they are very complex and very rich relationships. I have the benefit of not having to work with the Middle East and south Asia, but I think just looking at Pakistan represents a very interesting example of where our relationship encompasses an extraordinarily complex series of issues ranging from the Afghanistan insurgency and their assistance, to narcotics, nuclear issues, transition to democracy and a variety of other concerns.

How do we weigh those?

Basically, I think, in looking at foreign policy, the issue that we are most interested in fundamentally is the idea of having an effective policy. Certainly, when I testified a couple of weeks ago before the Banking Committee about Chile this is what I said about our policy vis-a-vis Chile.

Need for Establishing and Consolidating Democracy in Latin America

In our policy toward Latin America, we certainly have emphasized very strongly as a guiding principle the overall necessity of the establishment and consolidation of democracy in the region. This has been, and will remain, a very important and perhaps the most significant parameter in our relationship with these countries.

Certainly, it is a very important point in our relationship with Bolivia and many other nations as well. This is not to say, of course, that narcotics, coca eradication, interdiction and preven-

tion, do not have a very important priority also. In fact, the narcotics issue has been often the most important point in our day to day dealings with the Bolivian government.

We are deeply concerned about the narcotics problem. Certainly, I would say, the overwhelming percentage of my dealings with Ambassador Illanes and the overwhelming percentage of our ambassador in Bolivia's dealings with the Bolivian government deal with this issue.

We do try to keep in mind how to be most effective on these issues and I think that has been and will continue to be a guiding principle.

Problems Related to a Sanctions Policy

I have to say that I have been very frustrated during the two years I have held this job by some of the problems we have had in terms of this issue of sanctions. Fundamentally, we do have a sanctions related policy. We do accept and try to implement the sanctions related policy involved in Section 481 of the Foreign Assistance Act and we have followed the yearly certification process established by Congress.

We feel there are good reasons for why we have certified the countries which we have certified.

I think one of the problems we have had, though, is that we have become a little too addicted to the issue of sanctions. I think this is both true of the executive branch and legislative branch. If we are going to have sanctions, one of the issues that we really do have to consider, as Professor Craig was saying, is what can we really offer those countries in return?

I had the very dubious honor, a couple of years ago, of telling Ambassador Illanes that we felt that Bolivia's performance in the second half of that year had been inadequate, and as a result we were not providing his government the economic assistance which had been scheduled. That assistance was a grand total of \$7.5 million.

Some may feel that the withholding of \$7.5 million was enough to force the Bolivians to see the error of their ways and to force them suddenly to invite in the American Army to fight drug traffickers and to suddenly embark upon an eradication and interdiction program.

I really cannot think it was. As Professor Craig said, fundamentally, in the overwhelming percentage of the cases, the countries and governments involved will only decide to adopt adequate plans and programs when they feel it is in their own interest to do so.

Why did Bolivia, for example, decide last year to take the extraordinary risk of inviting in the American Army, a real precedent, to help interdict narcotics traffickers? Why has Bolivia now decided to adopt an extraordinarily innovative and risky eradication and interdiction program?

I do not think the answer has anything to do with American aid. I think the answer has to do more with the understanding of President Paz Estensoro and those in his government and an increasingly large percentage of the Bolivian population, that drug trafficking and coca cultivation is rending apart the social fabric of their

country and handing it over to a system of corruption that Bolivians feel is inimicable to their own long term interests.

A national consensus has begun to develop in Bolivia that has allowed this to happen. I think there would be an extremely good chance, even if Bolivia were not able to comply with the apparently increasingly micro-managed demands of the U.S. Congress in implementation of eradication and interdiction, that Bolivians would try to implement anti-narcotics programs anyway simply because they feel it is in their own interest to do so.

"Scapegoatism" and U.S. International Narcotics Policy

I must add that it is frustrating to see that we have had an increasing reliance on what I would call "scapegoatism." There is no question that the problem of narcotics cultivation and trafficking has become increasingly severe and increasingly serious in recent years. In point of fact, I think we would be doing very well if at this point we were able to cut back cultivation of coca in Latin America to 1983 levels.

But once again, as Professor Craig hinted at, one of the things we really have to look at it is why we are blaming the Latin Americans so much by concentrating on the supply of narcotics and not examining as closely the problem of demand reduction. This is a serious issue, I think, which perhaps has been overly neglected on the part of the executive branch. I think it is something that has been very easy to fall back on, simply because it is always easy to blame others for our failings.

I would also point out another very interesting problem. Over the course of 1987, I believe the number of Congressmen, Senators and Congressional staffers that have actually visiting South America and looked first hand at drug related issues, has probably been less than two dozen. By that, I include all Congressional staffers and members of Congress.

This really leads me to question the level of seriousness and commitment on the part of the Congress and on the part of the American public towards this issue. Once again, are we really scape-goating the Latin Americans or are we going to approach this issue seriously?

Since we seem to be talking quite a bit about Bolivia, I want to add something about the Bolivian anti-narcotics program. Over the course of the last year, we have tried to work out with Bolivia what is, as I described, a really landmark eradication and interdiction program. I think it is a shame and quite sad, and perhaps even a disgrace that over the course of eight months it is only now that we are in a position to actually sign interdiction and eradication agreements with the Bolivian government.

We began working on this program at a time when the Bolivian government was riding high following the success of Operation Blast Furnace and was committed, politically, and is still committed politically to try to implement this kind of very risky anti-narcotics program.

As Ambassador Illanes said, and I believe this cannot be underestimated, the Bolivian government is taking extraordinary risks in doing this. We have a commitment to democracy and so do they.

We certainly feel, I certainly feel quite strongly, that if this should fail, there is a reasonable chance—and I think the Bolivian government understands this—that the future of democracy in Bolivia would be put at risk.

We do not want to see this happen. It is very important, we believe, at this point to have a democratic government in place that is committed to these kinds of programs and prepared and willing over the long term to try to implement them.

We had a taste of this a few years ago during the government of Garcia Mesa, where we saw a nondemocratic government in bed with the drug traffickers. There is an ongoing fear that if this program, which the Bolivian government has decided to risk fails, we could see a similar kind of non-democratic government in the future. Such a government is certainly neither in our interest in terms of our political goals, nor in terms of our drug eradication goals.

In that sense, I have to say there is also frustration on our part, not only because of the sense on the part of many in Congress that they want to implement what has been described as micro-managed eradication guidance, but also because there seems to be a very strong feeling in Congress on exactly how eradication should proceed.

In other words, rather than having a clear idea of what suits the narcotics producing country in the best way, given their own sociological and political framework, there seems to be a sense that we are the ones who know best, not only about the importance of eradication in general, but how eradication should be accomplished. I find this very frustrating.

Effectiveness of Certification Process

We continue to work very hard to make drug eradication and ending drug trafficking as principal goals in Latin American countries. We feel that overall, the certification process has been effective in certain ways. In Jamaica, for example, we feel that there is a very good chance that we would not have had the backpack spraying now going on, if we did not have the certification process outlined in section 481 of the Foreign Assistance Act.

We feel the certification process has probably had some effect in Panama, as well in terms of the effectiveness of Operation Pisces against money-laundering by traffickers. We also feel that Section 481, as it stands now, outlines the single best kind of certification process that we need or can effectively use. We do not feel that it makes sense to add additional requirements, or that it makes sense to have country specific certification procedures which increasingly control the apportionment of foreign aid funds, which are shrinking anyway.

We feel quite comfortable that the programs we have now are becoming effective. They are persuading countries that it is in their own interest, over the long term, to begin the kinds of anti-narcotics programs they feel are necessary.

I have to interject here that I cannot help but disagree with Marian Chambers' feeling that the threat of possible cutbacks in

the Brazilian sugar quota might have been an indirect or direct reason for Brazil to sign a drug agreement.

I think the major reason for the Brazilians' decision is that they began to realize themselves that they are at the beginning of a very serious drug problem. The fact is that they realize that they could soon be the only country that faces the combination of significant cultivation, trafficking and consumption problems at the same time.

In conclusion, I feel that we do indeed have to continue to concentrate on the drug issue in Latin America. It certainly has been and will continue to be, one of the principal and often the principal foreign policy objective we have in the region, but it cannot be the only one. We have to put anti-narcotics policy in perspective and we have to look at ways to make that policy most effective.

Mr. PERL. Thank you. I wanted to acknowledge the presence, in the front row here, of Rayburn Hesse, a familiar face to all of us who work in the narcotics field. Rayburn is the Special Assistant for Policy in the Bureau of International Narcotics Matters at State.

We have asked him to participate in this seminar and to share his viewpoints and comments with us. Thank you.

I think it would be appropriate now to take a five to ten minute break, stretch a little bit and then open the floor for questions and comments.

Thank you.

[Recess.]

DISCUSSION PERIOD

Mr. PERL. I thought we would start out by asking the panelists if they had any questions of each other, or if they had any comments. I will start out by asking Marian if she has anything she would like to ask?

Reasonableness of Congressional Requests to Bolivia

Ms. CHAMBERS. Well, there are a number of different comments that I could make, but I will try and restrain myself in view of the fact that you are the ones that are here to do the question asking and the comment making.

I would just like to note, while I do not want to descend into a discussion of the minutia of the legislative process regarding Bolivia, because I think the issues are much larger, I would just say two things. One, that I do not think that what the Congress has asked the government of Bolivia to do is unreasonable. We have asked them to do essentially three things, both in the Foreign Aid bill in 1986-87 and again in 1988-89.

One is to pass a law which will make illicit coca production illegal. As you may know, there is a licit need for coca in Bolivia and we have recognized that but we have asked them to pass a law which would make everything else illegal. We have been waiting for that for two and a half years now and I do not think that is an unreasonable request.

Second, we have asked them to put together a comprehensive plan which would address the issue of ultimately eliminating all il-

licit production in Bolivia. We have not said they have to eliminate all illicit production in Bolivia, but we have asked them to put together their own plan to do that.

Third, we previously asked them to live up to the terms of the agreement which they had signed in 1983, which they never did. We are currently asking them to live up to whatever plan they agree to with the United States.

So I think in terms of micro-management on the Congressional side, one can look at it in different ways. I do not think those are unreasonable demands.

Focus of Potential Sanctions Is World-Wide

Second, to respond to the "scapegoating" or Latin America focus, I think it is true that we have focused more on Latin America because cocaine has been more of an issue. Our committee certainly has looked at narcotics production and transit issues worldwide. Our staff has been to every major producing and transit country except those that are denied to us, like Iran and Afghanistan.

In terms of legislative requirements, it certainly has not been a Bolivia only issue, as Mr. Hesse can certainly tell you. We have put legislative requirements on Pakistan, on India, on Peru, on Jamaica, on Brazil, in different forms and different ways. So while Bolivia has taken on a certain importance, in the issue of sanctions, it is not just related to Bolivia.

Mr. PERL. Jack?

General Observations on U.S. Narcotics Policy

Mr. BLUM. I have a couple of observations that I would like to address to some of my fellow panelists. I would like to start off by commenting on something Professor Craig said, which is extraordinarily profound. That is the business of if you write the legislation this way, you will not have to take the responsibility but you can take the credit.

Unfortunately, that attitude is so prevalent throughout the system that the system is not working. Until and unless everybody takes the responsibility and stops looking for the klieg lights, nothing is going to change. That goes for the cops who come in and try to tell us, and here I will shift my comment to Mr. Gelbard, about the success of Operation Pisces, which got about two days worth of money flow out of Panama and is touted as the greatest thing since Wonder Bread.

I have had a sincere presentation by the Attorney General of Panama who, with all good will, says we will let you look at anything, we will let you prosecute anybody. The reality however is different.

We have some very difficult problems which are the result of people keeping informants in business because they feed the system. I would say 90 percent of the traffic is done by those informants. We have got to realize that the rich and complex relationship, that we seem to look at with respect to other countries, is through the lens of left and right. Are they for us, are they against us, are they communist, are they anti-Communist?

Need for Intelligence on Who Runs Illicit Drug Industry and What the Choke Points Are

This industry is so grotesque and so large and so capable of bribing every government in its path, that it has successfully bribed all kinds of government, democratic and non-democratic, communist and non-communist. The issue is finding the will and the way to understand that the lens and that particular analytic mode is useless and that action is going to have to be taken in ways that go to the core of the problem, and that means gathering the right intelligence about who is running this industry and what its choke points are and going after them.

This will involve some American industries that will get very unhappy, particularly our banking industry. It is going to involve some foreign country leaders who are going to be very unhappy, saying look at all the wonderful things we have done for you. But we have got to put together that intelligence analysis of what this industry is like and then figure out how to put it out of business.

Mr. PERL. Mr. Ambassador.

Need To Change Attitudes of U.S. Public Toward Consumption

Ambassador ILLANES. Only a few remarks, particularly on what Ms. Chambers has just said, rather than on what she said before. To me the whole thing just shows the fallacy of sanctions. What good is it to sanction Bolivia or any country if you, as a country, have not started looking at consumption?

What you are doing about changing moral attitudes of your public, toward consumption is really pitiful. I mean, everybody talks about cutting down on drugs et cetera, but have you really put your minds to it?

In the past you have shown that through public opinion you can do wonders with your society. Everybody has stopped smoking in the United States, it seems at least. As soon as you go to a meeting outside of the United States, you choke. Here, nobody is smoking.

Twenty years ago when I used to live in New York City, I used to go walking in Central Park and if you saw somebody jogging, you thought he was a nut. Two weeks ago I did the same thing and there was no room to jog. So you can change public attitudes with education and I think this is—we all are missing the boat by trying to stress that, okay, if we cut down on production, there will not be any consumption or consumption will be reduced.

But I think the real solution to the problem is not one extreme or the other. We all have to do all those jobs together. I do not think the United States, as a government, or as a country, can demand other countries to cut down on production if you are not doing your part in cutting down on consumption.

U.S. Share of Responsibility That Bolivian Anti-Drug Program Is Not Yet Fully Implemented

Bolivia has decided, this government in Bolivia, has decided to fight narcotics. Ms. Chambers says that in 1983 we signed an agreement and it has not been accomplished. This is not to say we are not responsible for the action of previous governments, but do not

forget that Bolivia lived for 18 years under military dictatorships. Finally we have been living, for the last 5 years, under a democratic system. And this government took office two years ago.

Since we started in government, we have been trying to put together a program to do something about narcotics. It took us four months to convince you to send helicopters. It took us four months to convince you to send out a team to talk about the program. It took another 6 months to put together the program and now we are, 8 months later, discussing on how to finance the program.

On your behest, I traveled all over the world trying to finance this blasted program and still today we do not have the means that will assure us a success on our 3-year program. I am not saying we do not have enough money. We do have enough money to start with. But we cannot start until the U.S. government and the Bolivian government agree on how to do the program and how to spend the money.

Here we are talking about sanctions when really I would say more than half the blame, this time is the U.S. blame for not moving fast enough, as fast as we could do, or as fast as we wanted.

Mr. Gelbard very clearly said, we wanted to start this program immediately after Blast Furnace last summer, where everybody was riding high on the success of that mission. Still, a year has gone by since last July and we do not have a program in place. We do not have the agreements. We do not have the funds and nevertheless, we are being given sanctions for not doing what we were supposed to do when it was our desire, really, to carry this thing as fast as possible.

Mr. PERL. Thank you. Professor Craig?

Status and Content of Proposed Bolivian Anti-Narcotics Legislation

Ambassador ILLANES. I am sorry. I am going to interrupt, just one thing I forgot. The law that Ms. Chambers referred to has been approved by the Senate and this law had to be redone a thousand times because we have a program now, a serious coherent program to which we had to conform because the law that was prepared by previous governments did not have anything to do with our present program.

So we have to have to redo the law, and it is a big thick law and we have to have seminars and symposia from every place in the world. We have experts from the U.N., from the United States, put together a comprehensive, serious law.

Today I understand, I am told, we will have the most strict law of all Latin America. The Senate has approved it and now it is in the House. Unfortunately, we are in a period of recess. They will be reconvening at the beginning of August and then we hope, that in a month or a month and a half, we should have the law in place, which is part of our program.

So there you go, time and delay. I am sorry.

Mr. CRAIG. That is quite all right. Ambassadorial privilege.

You can really tell how well we rehearsed this thing because this is exactly the line that I was going to pursue in asking the Ambassador a question. The Senate has acted on the law in Bolivia. The question is how is the House going to act? If it does act, can you

give us any sense of the nature, in general, of the law, if and when it does pass? How is it going to restrict cultivation, do you think? Where will it restrict cultivation? And do you really think it is going to pass?

Ambassador ILLANES. Yes, definitely. We have assurance from both of the two larger parties in Bolivia, that they are behind the law. As a matter of fact, we had a Senator from the major opposition party who has formed what we call an Alliance for Democracy with the governing party. He was here a couple of months ago, going around Congress and the Administration, trying to tell them that the opposition is going to approve the law, because in the House we are going to have problems.

I am not trying to say this is easy. There are representatives of the peasant unions and there are representatives, which I am sure have been touched or influenced by narco traffickers, that will oppose it. They will oppose it on grounds of traditional cultivation, that we are affecting our culture, the livelihood of the Indians, and that they have been doing this for the last 5,000 years and it is good for them, et cetera, et cetera.

But the government has resolved to put this law through. What the law will say, basically, as I said, it is a big thick law and it weighs a couple of pounds, but the meat of it is that it declares illegal the cultivation of coca plants outside of a very restricted, very easily limited area of traditional cultivation where it was cultivated for the last 400, 500, 600 years. Certainly the natives in Bolivia have been using it for at least 3,000 or 4,000 years.

Therefore, it will make the production, of course, everything else from then on is completely legal, production of any type of narcotics and the handling and the selling and the transportation and so on and so forth.

So really the important thing of the law is that it will make coca growing illegal outside of very limited areas, in the high Andean valleys for traditional consumption, and which represents maybe a fifth or a sixth of what is produced today.

Mr. PERL. Bob?

Importance of Targeting Money Laundering Into U.S. and Effect of Operation Pisces

Mr. GELBARD. I just wanted to add to a point that Mr. Blum made. Money laundering is a very important issue and I do not think it is really fair to denigrate Operation Pisces in Panama. If we were to close down the illegal flow of narcotics-related money into the United States for two days, I think we would come out with quite a bit of money.

In point of fact, obviously our relationship with General Norega is not exactly great these days, either. So I think this is going to have an overall effect.

An interesting collateral effect of the Operation Pisces, by the way, is that it seems to have shut down some of the bank accounts of some of the terrorists groups which operate in the region. But I think you pointed to the problem of money laundering in American banks and I think this is another good example of the kind of over-

looked aspect of the drug problem I was talking about earlier. Very little attention is paid to issues like this.

One U.S. bank came to us before they entered into correspondent relationships in Latin America to make sure that the Latin banks were not dirty. It is very clear that the overwhelming percentage of narcotics-related money comes into the United States; it does not just go to Panama.

Yet, while there is a system of fines, of course, and some banks are occasionally fined, I do not think money-laundering is treated with any great seriousness or any great enforcement efforts.

Once again, and excuse me for repeating myself, I think one of the things we really have to look at is a way to balance out the narcotics supply and equation. We have to be emphasizing the supply side very strongly, but we also have to be emphasizing the demand side in much stronger ways than we are now.

Mr. PERL. Professor Craig?

Mr. CRAIG. Yes, I want to get back, just very briefly, to the Ambassador's analysis of the law, the pending law. If, in fact, this law is enacted, if in fact cultivation is restricted, it will be—and I do not want to resort to hyperbole—but it will be a monumental achievement by a democratic government in Bolivia.

The key is, what will be restricted and can it be enforced? If both of these are activated, it will be a tremendous achievement and I think many of you out there in the audience know exactly what I am talking about. The passage of this law, if it has teeth, and if the teeth bite, is going to be a tremendous step.

It is not going to end the drug problem, but it is going to be an incredible example of what can be done by a democratic system under an awful lot of pressure at home.

Mr. PERL. I am sure there are many questions that the law may raise in the minds of the participants of the seminar, and I would like to open up the floor for questions now.

We have made an effort to assure that you can hear us. So please reciprocate. There is a mike in the center isle. It makes it easier for the reporter to take down your testimony. If you do not want to use the mike, or if you are locked in, please stand up and speak loudly.

*Economic Importance of Narcotics to Producer Countries as
Potential Disincentive To Enforce Anti-Drug Programs*

PARTICIPANT. I have a question I would like to address to Professor Craig. In light of the testimony we have heard, and my own personal opinion, I am not convinced that countries like Bolivia have the incentive to stop and to enforce this type of drug program, given the economic importance of narcotics to their economies, as indicated by the numbers that the Ambassador gave us.

I would like to know if you are convinced, and why, that these countries do have a stake to enforce these programs?

Mr. CRAIG. I do not want to cop out on you, but I think that kind of question should be answered by the Ambassador. Again, I want to go back to the true basis of action of any government, and that is when they feel their national interest is threatened.

For their own reasons, and again I do not want to speak for Bolivia, but for their own reasons—the same way for Mexico or anywhere else—when they act, I believe, that it is the result of a combination of factors, but ultimately it is because they feel that narcotics, or whatever, pose a threat to the extant system.

Again, if this law is passed, it is going to be a model of what can be achieved under very, very difficult circumstances. Obviously, I do not think they are going to pass a law like this if they do not want it, in particular given how difficult it is. They have to weigh, that is the Bolivians have to weigh, the pluses and minuses.

The whole question of national imagery, I think, has been left out of the discussion so far. That is important. I mean, I do not know what it is like for the Ambassador, of course it is very different when you are a diplomat, but for a common Bolivian who is on tour, or a common Colombian who is on vacation, when you say where are you from and you show your passport, you may get far more serious consideration than an average traveler, just because of the image of your country as a narcotics source. I think this has something to do with it also.

I think the Ambassador should speak to the question. Again, it is not a cop out, but I do not want to speak for Bolivia.

Mr. PERL. Mr. Ambassador, could you also talk about the economic impact on your country of a law like this?

*Bolivian Incentives To Enforce Drug Programs Despite
Importance of Narcotics to Economy*

Ambassador ILLANES. Sure, I already gave the numbers in my speech, but anyway, it all has to do with the decision of a government to do something about drugs. In the case of Bolivia, this government has made a definite decision to get rid of drugs because drugs are destroying our society. It was very clearly said, we had a military dictator a few years back who was involved in narco trafficking or connected with narco traffickers.

So how far can we go and how long can we wait until our country is completely taken over by narco traffickers? If we want to have a normal country, a respected country in the community, in the international community, we must do something, and more so if we want to save the future of our country because our children are being affected more than yours.

What costs here \$5 costs 50 cents in Bolivia, so a nine year old kid can get a fix for 50 cents instead of \$5. It is so widely available that even the very poorest children in Bolivia, the children of the peasants, are heavily affected. There are regions in Bolivia where the percent of addiction is the highest in the world.

So these are the reasons really why the government of Bolivia, in spite of the great economic sacrifice—and do not forget that Bolivia has done a lot of sacrifices in the last few years, economically speaking. We had an inflation of 25,000 percent 3 years ago. Today we are at an inflation of 12 percent. What did we have to do for that? Freeze salaries, freeze prices, freeze the economy completely.

We have gone into a market economy. We are trying to fix our economic problems. We are trying to fix our financial problems and the only way we can fix the country, in the long run, is to somehow

resolve the problem of narco traffickers because there is no point in talking about developing a country, about projects for the future, if you have this underlying malaise. That is like building a castle on top of quicksand.

We have the necessity to get rid of this. Now what will the impact be? The impact is that Bolivia will lose an income, at least the people that receive this money, will lose an income of approximately \$600 million we calculate. Most of it goes out, of course; \$2.5 billion of the wholesale price of the drugs we produce are in your banks.

The peasants, that are the ones that receive payment for the narco traffickers for their production, receive the \$600 million. We will cut that production and, as Professor Craig said, if the law passes—I am not saying if, it will pass—we have resolved that it will pass and it is just a matter of time and politics and Congressional gymnastics, and you are all aware of that.

We will have a period of 12 months to eradicate voluntarily those fields, where the peasants will receive a compensation in order to survive until the next crop is producing and they will receive credit for agricultural programs and crop substitution. We will develop new agricultural regions through a rural development program and we will carry out a very intensive rehabilitation program and prevention program because that also is a problem.

But there is no point in thinking of any eradication program unless it is economically feasible. What I mean by that is that there is no point in even thinking of eradicating a gram or one plant if the peasant is making \$5, \$10, \$15, \$20,000 per hectare because of the price of coca. There is no other crop that can substitute that income and there is no way you can convince a peasant, who is just as much businessman as anybody else, to leave a very profitable way of life which in a way may be the only solution he has to his economic problem.

So what we are doing, and we started with the famous Operation Blast Furnace, is to destroy the demand for the leaf. By destroying the demand, we have lowered the price of coca, not consistently but we have been lowering it most of the time to levels that where it is no longer a profitable endeavor. And now, with further incentive, we think we can do what the law will specify, which is to eradicate most, if not all, of our illegal—what will be illegal coca crops in 12 months and thereafter we will have to go in and eradicate by force.

We hope never to have to achieve that because if the incentives are correct and if the program is well managed and well put forward, then we should be able to achieve it peacefully.

Mr. PERL. Mr. Gelbard?

Colombia and Peru See Anti-Drug Programs as Being in Their Own Self Interest: A Central Requirement for Effective Implementation

Mr. GELBARD. I wanted to add one point and move the focus from Bolivia. As both Professor Craig and Ambassador Illanes have said, confronting the narcotics problem is fundamentally a question of when does a country feel it is in its own best interest to seriously challenge the drug trade.

An interesting and different example of this is Colombia, which is a long established democracy, and which is one that by Latin standards is obviously much wealthier. But the Colombians clearly have made a decision to fight narcotics because they have seen that the drug traffickers are essentially trying to undermine the democratic society, particularly by attacking the judiciary, as seen most notably on the attack on the Supreme Court in the Palace of Justice in November of '85, and subsequently through murdering more judges and trying to suborn others.

The government in that case has clearly made this commitment, as difficult as it is, because the very existence of the society is at risk.

I think you can look at some other generally similar cases, such as Peru, although the economic model there is not exactly what I would consider to be ideal. President Alan Garcia also feels quite strongly that narcotics represents a fundamental threat to Peruvian society, and therefore he has made and is continuing to make an effort to eradicate coca and to interdict drug traffickers.

Mr. PERL. Question from the back, please?

Positive Incentives Rather Than Sanctions as a Drug Policy Option

PARTICIPANT. Yes, I was wondering if we could take this economic focus a step further and relate it to what I see as a basic problem with sanctions, and relate it to whole question of balancing the carrots with the sticks.

It seems to me that given that the drug problem is so fundamentally related to the economic problems in these countries, and the fact that it has gotten worse is probably related to the recession recently in Latin America, it seems to me that sanctions threatened to actually undercut the very goals that we are trying to achieve by making—if we in fact withdraw aid or impose a trade embargo, et cetera—it seems that it would, in fact, make the economic situations in those countries even worse, and thereby perhaps give even more impetus to the drug traffickers and the peasants who are getting a lot of money for growing these products.

So I was just wondering, particularly if the people from Congress would comment on this problem and on whether we might be able to move towards more of a carrot approach. In other words, if you cooperate more with us perhaps we can give you a better aid package. That is politically more difficult, but do you see it as a possibility and as perhaps a better way to approach the problem? Thank you.

Mr. BLUM. To start out, I would like to go back to an experience I had about a year ago before I took the job I have now, when I met with some businessmen in Caracas. I was there representing a private client in a business deal. And one of the businessmen was saying, you know, you in the United States have a most peculiar country. You tell us that we have to repay our debts to you. But then you tell us that everything we export is ruining your industry.

So if we want to ship textiles, you say, no, that is hurting our textile industry. If we want to ship you oil, you threaten to impose import quotas or fees of some kind. And he went on with a rather

impressive list, including steel, and a variety of other things where we were making all kinds of trade noises and asking for restraint on exports.

That is very much in my mind as I think about the drug situation. What we are doing is, we are looking at another major cash crop. We have excluded sugar from a lot of these regions. So here is a cash crop and a chance to make money.

I think the bottom line in this is going to be a different one. It is that the money never stays in the country in question. The ambassador from Bolivia has indicated—as most of us who have looked at it know—that no self-respecting middleman drug entrepreneur trusts anything but the best U.S. and European banks with the fruit of his enterprise. So it really is not helping their economies in the degree to which the raw numbers would suggest.

I think the problem is most acute really in the area of bribery and the attempt to control the government by the criminal enterprise. What happens is, you are running a business. And there is only one way to think of this, if you want to understand what is going on: it is an industry. You can draw an analogy to the oil industry or any other industry you would like to look at.

The way these people view it is, buying governments is a cost of doing business. And the bribes they are able to pay—and we have had, as I said, hearings where people have testified about who they have paid and how much they have paid—are multiples frequently of local official's salaries, and are sufficiently large so that the traffickers begin to gain the kind of political control that enables them to go forward.

I think that this threat, coupled with the ability of the people in this to buy private armies—the business of the shooting of the judges in Colombia; the relationship of the Medellin cartel to M-19; the relationship of various other terrorists and revolutionary groups to drug traffickers who supply them with money and weapons is something that is extraordinarily dangerous.

Any government that does not want to simply become a criminal enterprise, as a number of smaller governments appear to have chosen to do, has to stand up, has to say no, we will not allow this kind of bribery. We cannot tolerate a situation where drugs fund an insurgency that is going to bring us all down. And by the way, in my view, most of these insurgencies are neither left nor right, they are pure commercial enterprise.

Now what do we do in terms of helping them economically? There we have to look at our trade relationships and begin to understand that somewhere along the line there have to be some commodities the Third World can sell the U.S. without being punished. Sugar is an obvious problem all through the Caribbean. The Caribbean problem was made worse when we turned around and said, you went into the alcohol business. We are now not going to let you export fuel alcohols to the United States.

We have selectively barred a variety of products to protect ourselves from what is perceived as unfair competition. We may have to take a look at that and say, look, we understand you guys have to live in the international commercial world and here are the various kinds of trade-offs. But that takes us back to serious political difficulties.

And I think with the recent trade bill, we are all aware of how serious those difficulties are. Maybe that is the political conundrum in this, that we all know exists but do not like to talk about particularly.

Mr. PERL. Marian, would you comment before we take the next question?

Need Also for Negative Incentives

Ms. CHAMBERS. I think Jack's answer is an extremely good one. I would only add that, I think in some sense—and I want to be careful not to over-emphasize the importance of foreign aid because it is not always an important issue in our relations with other countries. But I think it could be argued, in terms of the carrot and the stick approach, that we have been very good at giving the carrot over the years. The problem is that we have not been using the stick.

We have poured millions and millions and millions and millions of dollars in narcotics control assistance, in economic assistance, in military assistance, in food aid, in all sorts of other benefits into the major drug producing countries. What we have seen in return are explosive increases in the amount of drugs that are being produced.

Now I do not think you can draw a direct link between U.S. foreign aid and what does or does not happen to a particular country's production levels. But I do think from the point of view of somebody who has been looking at this for a while that at some point one has to draw back and say, can this program work if there is no penalty for lack of cooperation and lack of results.

I think that has to be measured carefully, and there are a lot of complications to that. But both sides of the equation have to be there. Obviously, the carrot has to be there, but I think some form of stick needs to be there as well.

Bolivia's Proposed Comprehensive Anti-Narcotics Legislation and U.S. Efforts To Assist Bolivia In Its Interdiction and Eradication Endeavors

PARTICIPANT. My name is Morgan Hardeman. I am minority staff director on the Senate International Narcotics Control Caucus. I would like to get back to the professor's emphasis on what is going on in Bolivia, because I share your appreciation for the possibilities there. I would like each panel member to address this issue from his or her perspective.

Mr. Ambassador, sir when I was in Bolivia in April we learned that the Assembly has very specific procedures by which they can basically debate this bill forever, debate it almost line by line, party by party, and maybe weaken it. Is there any sort of timetable or hope that you would have by which we could measure progress? Do you have expectations of a certain result by, say September 15th?

Also, what help is the United States giving you now to counteract opposing forces from the left, from the coca growing unions, and probably even from Colombia traffickers whose interests are threatened? What more could we be doing?

I would like to know, from the State Department representative, what we are doing, and how are you planning to keep Congress informed on developments in Bolivia?

And then from Marian Chambers and Mr. Blum, what do you think Congress should be doing this year to help the Bolivians pass that law? Thank you.

Ambassador ILLANES. Yes, there are systems—I think you call them in this country, filibuster. We also have the same privileges in our congress, and it could go on forever. However, we think—we have evaluated the situation and we think that perhaps by the end of September we should have the law approved. The congress reconvenes on the 9th of August, and therefore we think we would need at least a month and a half to have the thing passed through.

As far as what the U.S. is doing right now, not too much, not too much. The interdiction is going halfheartedly because we have not signed the famous two annexes to our agreement yet. However, as Mr. Gelbard said, we finally have a green light on the agreements and hopefully within the next few days our government should be signing the agreements with your government, which means the beginning of everything really.

Only then can we say, we have started the program, because it will mean a step up in interdiction, more intensive, wider interdiction. And then, once the law is passed, we can start counting the time for the 12 months of voluntary eradiction.

You have to also realize that we—as I said before, I have gone through the international community and we have received some donations or some help for this program, and we have to make those donations effective, particularly the ones that come from the United Nations through an organization called UNFADAC, in order to make this thing, this whole program viable.

It is going to take a lot of work. We have to organize a new—actually, we are setting up a new organization that will be devoted exclusively to the triennial plan and the interdiction. We are separating the armed force unit from the police, and from the ministry, and from the armed forces in order to make it more workable, more effective, and not have to go through so many levels of command.

What could the U.S. do right now? Certainly what they could do is make a public and visible statement that you are behind our program, that you really believe in it, and that you want to push it forward and that you will help us to do it. Or you will join us to carry out this task because it is a common problem.

As I said in my presentation, we think we have to enter into this thing as partners, or perhaps allies in a holy war against narco-trafficking. We cannot keep on saying, all right, you are the bad guys, we are going to give you money if you behave. Because what we are trying to do really is more than what you want.

And then again, I repeat, you have to do your own part here in the United States. Because what good is it if Bolivia wipes out narcotics from our territory? The only thing that will happen in the long run is that that production will shift to another country, and you will not have resolved your problem. You will still have the same problem. We will have solved our problem, but not yours.

And then we will not have any problems with the United States, so everybody is happy. But not your society. You will still have the same amount of addicts and consumption of cocaine. So I go back, you have to do something about consumption.

Mr. PERL. Bob, I think the question to you is what are we doing in terms of trying to help Bolivia? I give the floor to you for that.

Mr. GELBARD. I want to ask Rayburn Hesse for some help. But right now, as the Ambassador said, we expect to sign the two programs on interdiction and eradication any day. They have—our ambassador has been authorized to conclude the agreements and they are now in La Paz, where I think they are just going over the final details. So I would expect signature to be completed imminently.

Meanwhile, we have been conducting our normal, ongoing interdiction programs and trying to get eradication started. As you may be aware, we have had Special Forces troops in Bolivia for some months training the Bolivian anti-narcotics police, the UMOPAR.

This is another example of the political risk that has been taken by both the Bolivian government and by our government, because there has been a strong reaction by the coca growers, undoubtedly instigated by the larger drug traffickers, against these special forces trainers. And at one point there was even a mass demonstration and the possibility of the camps being overrun. But this is part of our ongoing effort for training and improvement in the quality of the forces.

As another part of our ongoing efforts, we have had helicopter trainers and maintenance people in and out of Bolivia. We also have a number of development programs ongoing, although we are holding up the further disbursement of ESF funds until the certification conditions are met.

Is there anything you want to add, Rayburn, to that?

Mr. HESSE. No, however, I want to comment on the other point what I think is a misperception of the difference between a narcotics policy and a sanctions policy by representatives of the United States Congress.

Mr. PERL. We will give you that opportunity at an appropriate time, which will be soon.

Marian, would you want to say something briefly, or Jack?

Mr. BLUM. I would say that Congress cannot do very much of anything about what is going to happen in the legislature there. I think that the message should be a clear and unequivocal message from the United States through the State Department at whatever level is appropriate, be it a letter from our president, be it the representation by the ambassador, however that is done to assist in the passage.

Perhaps the only thing that might be useful would be perhaps a delegation from Congress visiting to say, we all really share with you this terrible problem and we would like to see you pass the legislation. But that ought to be done in conjunction with State.

I think it is a mistake though to focus too much on the legislation itself. The question will really come down to if the legislation is passed, will the country be able to send some guys out to arrest the people who are violating the law? If you look at Colombia, we know that there are a number of folks there who are international-

ly known as traffickers yet cannot be arrested because the forces surrounding them, the capacity of the government to do anything is really quite limited. They have their own power base and, thank you, their own army.

And it seems to me that the only way in the end we are going to achieve that is by going at it looking at the industrial enterprise they have created and making it unprofitable and disrupting the flows of money and the things that make it possible for them to buy that level of protection.

I, of course, would hope that the legislation passes. And I would hope that with various kinds of assistance that we will have an exception, that Bolivia will be able to go in and arrest the people that need to be arrested, and then successfully try them and punish them.

But I submit to you that the passage of the legislation is only the beginning of what will be an extraordinarily difficult path. And it is a path that, I think, the Bolivians and, for that matter, any other legitimate government understands it must take because the minute it stops that, the legitimacy of the government is gone and we are into criminal enterprise.

Mr. PERL. Marian, did you want to add anything?

Ms. CHAMBERS. I would just say, I agree with Jack that there is probably not a whole lot the U.S. Congress can do to convince the Bolivian government, or to help the Bolivian government pass this coca law. It is something that the people I work for are very concerned about, particularly [A] that it be passed; but [B] that it be passed in a form which will enable the Bolivian government to effectively continue or establish the program which they are about to agree to with the United States.

In this regard, we have a couple of real serious concerns. One is that the Bolivian government has signed an agreement with the coca growers association which [A] says, we agree never to do any forced eradication, which is one of the principal elements of the agreement in the annexes. And [B], the new coca law will not make coca leaf a narcotic substance.

If in fact the new coca law is passed in that form, it seems to me it would be very difficult for the Bolivian government to effectively carry out a coca eradication program of any sort. So it is something that we are very concerned about. As far as we understand the nature of the agreements, I think the members that I work for have some very serious reservations about this whole—the structure of the program.

They have, however, agreed to let it go ahead and support giving this a shot. We recognize the difficulties that the Bolivian government has. We hope it is going to work, and we have been willing to say, go ahead and give it a try and we will let the money go. But we do hope that some of these very important issues are addressed because otherwise, we just do not see how these agreements are going to be carried out effectively.

Mr. PERL. Mr. Ambassador?

Ambassador ILLANES. Yes, it is correct we have signed an agreement with the peasant unions to avoid further demonstrations and further blockages of our cities' thoroughfares. But basically the only thing important in that agreement is the fact that coca as

such, the leaf as such will not be classified as a narcotic, which makes sense really because of the traditional use with the peasants.

As far as the forcible eradication, it really does not say anything one way or the other. I think personally that that document was structured quite ably by whoever wrote it. And it is a political document. It can be read any way. But the peasants read it to the extent that they told our forces, our police forces and the DEA forces that they could not even go into the producing area because the agreement said that they would not be disturbed and from now on coca was legal. I mean, that was their interpretation of the document.

The real interpretation will come with the law really. And this will be the basis of the program. Now the program is difficult. It is not perfect. But it was done jointly with the U.S. experts, with the U.N. experts. And if you have some reservations, so does everybody. My question is, do you have any better ideas? I mean, is there any other solution from the one we have proposed?

Mr. PERL. Does anyone in the audience have any better ideas? [No response.]

Mr. PERL. Rayburn, you wanted to make a comment? Would you still want to make it?

Commitment of Department of State To Supplement and Enforce Certification Process

Mr. HESSE. Yes. In the book of Revelations, John the Venerable wrote something which I think they should inscribe on the East Wing of the Capitol, when he prayed for the strength to change that which could be changed, the tolerance to bear that which could not, and the wisdom to know the difference.

It has, I think, become almost ritual in the United States Congress each year, as we submit our annual report from the Department of State on about 45 different countries, to go through this review process and say, all right, where can we impose sanctions? Where can we change the equation in these countries?

And in answer to the young lady who asked a question earlier, the fact of the matter is that in the three countries where we have had continuing success over a period of time, we have not used aid as an inducement to eradication or crop control. That would be in Turkey beginning in 1972. It would be in Colombia with the marijuana crop beginning in 1984. And certainly beginning in 1975 in Mexico. We gave no development assistance to any of those countries in support of their crop control program.

You cannot get away from two inescapable givens that must be present in any narcotics control agreement. A government must have the political will to enforce an eradication program. And it must have the capability to enforce its laws throughout the whole of its territory. We had that in those three countries. We have never had it quite to the same degree in any other country of the 24 major countries with whom we deal.

Now the Department of State, and in fact the whole Administration, is committed to implementing and enforcing the certification process that was adopted by Congress in the Anti-Drug Abuse Act

of 1986. We do not feel, however, that the Congress should come in behind that with additional sanctions.

We can either get a country to recognize that it is in its economic, military and political interests to cooperate with us on narcotics control—and increasingly, as the world drug abuse problem expands to the source countries, it is ever more in their interest to do so—or we cannot. Withholding aid does not penalize traffickers.

I would like to also say very quickly that I think sometimes the United States is not quite the saint in the control process that we would like to believe. Perhaps one of the three most embarrassing moments I've had—I will not tell you the other two—was in Bolivia in 1976 when they had an injectable amphetamine problem and I discovered that the source of the injectable amphetamines was the United States. We outlawed their manufacture for domestic consumption to curb our own amphetamine problem, but we were shipping them to South America where they were developing an epidemic.

Need To Restrict Manufacture of Precursor Chemicals

If we are truly serious about this problem, we must reduce demand in this country. If we are truly serious about this problem, we need to use our economic leverage. Not against the traffickers on whom we have no economic leverage, not in withholding aid from peasant farmers who are either going to do business with us or with the traffickers depending on who offers them the most money or where they feel the most pressure. But in fact upon the manufacturers of the three ingredients that you must have to manufacture cocaine, which is ether, acetone and hydrochloric acid.

Combating Cocaine Requires New Strategies

Also, we must begin to use our own enforcement policies in a more concentrated manner than perhaps we have in the past. I think we have learned that the methods used to combat the opium poppy and marijuana plant—and we have had some success there—are not working with cocaine.

And we are currently retooling our strategy because there is one escapable factor about cocaine, that the bush has a half-life of 15 years, and active life of 20 to 25 years. And the only way we are going to get this problem down in size in South America is to pull the plant or kill it chemically.

And I think that the simpler solutions that perhaps were used in other places and other times are not working well in South America. And I am proud to say that we at the State Department have finally begun to realize we need a different strategy. But imposing sanctions on people who are not vulnerable to the sanctions is not the way in which you are going to bring the cocaine problem under control in South America.

Mr. PERL. Thank you for your comments.

Does anybody want to comment on Mr. Hesse's comments?

Influence of Domestic Politics on International Narcotics Policy

Mr. BLUM. Very much. I would like to move from the Book of Revelations, which may or may not be relevant to the discussion to the Japanese Kabuki dance, that highly stylized, ritualistic affair that goes according to script if everybody can hold to the script. What I would like to do is spell out—and this happened before I got here and I can speak about it with a kind of outside observer's view—the kind of ritual that seems to have occurred.

We had an election coming. We had a terrible number of people of both parties and an Administration that wanted to look tough on drugs. We had a race to see who could come up with legislation that was toughest.

We wrote some things into law, with the blessing of the Administration, that everyone understood were hortatory—is that the correct word?—perhaps never to be enforced. And then, God help us, when the time came to follow up on that law, everybody said, we all knew that was a ritual, pre-election dance and we were not supposed to mean what we said in that law. Ergo, we were going to dump on Congress the report that they all expected which would allow everybody to go forward with business as usual.

It should be noted that this Kabuki dance I have described has nothing to do with narcotics control, enforcement or anything else. It has a tremendous amount to do with domestic politics.

The question really is going to be, can we get away from Kabuki dances? And then the people that come along and have the temerity to be the skunk at the lawn party and suggest that maybe the law was not obeyed as it was written, which we know did occur. And then everybody scurries back and rewrites the law so that the ritual can continue without it being embarrassing in a gross sort of way, which I think ultimately happened.

The question is, are we going to get down to business? Getting down to business, in my view—and I have been on the job long enough to at least have some perceptions—will involve getting out of the game of everybody buying a piece of the action to buy peace in their own division, government agency, or bureaucracy.

We cannot have ten law enforcement agencies, two of them in a fight over who controls the air wing, which I hear about every time I go near Miami. Others fighting over the question of who controls the naval vessels; are they this agency or that agency's, and who gets the extra money.

And then there is the question of all the different government agencies who want to stay in business by having informants. It is my perception that 90 percent of the drug business is being done by people who work for various government agencies supplying them with leads, people to prosecute, opportunities to make busts. And essentially, the game is played by knocking out the competition and feeding them to the wolves.

And that is the game that I see in process. And we are going to have to get away from the stylized political processes domestically, or political rituals and get on with dealing with this business of how we go about our own law enforcement, and how we go about our own policy perceptions, and what we are doing.

And I think that that extends to our colleagues in the State Department and their perceptions of what our overall national interest is. I find it hard to see what our overall national interest is. I find it hard to see what is on the agenda in that rich, complex, international relationship we have with the Bahamas other than narcotics trafficking.

Mr. PERL. Any further questions from the audience?

PARTICIPANT. Yes, I think Jack's comments were very good. Let me ask you though, Jack, if you think the story about the man who has a hammer, fixes every problem with a hammer—Congress, domestic politics, and what Washington is all about? How are we going to move from the Kabuki dance of domestic politics to one of solving this problem?

Mr. BLUM. It requires all of us to stop trying to treat this problem cynically. That is, to maximum current political advantage. And when I say all of us, that is everybody and every one of the agencies involved. It is irrespective—we bear the blame as much as the DEA people, as much as the Justice people, in which we all try to take credit for our little victory, and we know exactly what it takes to get that little victory.

And sit down and say, look, the little victories are adding up to 8 percent, possibly 12 percent of the total flow. We have got to stop that and now start coming together to come up with a totally different approach to this problem.

I think that is what is going to happen and it is going to require concessions from all hands and we have got to stop thinking about it that way, or this is not going to work.

Mr. PERL. Any additional questions, comments?

PARTICIPANT. I would like to focus my question to the State Department. Unfortunately, it does not come from a Kabuki dance or the Book of Revelations, but it seems like whoever blames everybody should be suspect themselves somewhat.

So far the State Department has said that Congress micro-manages the narcotics policy, that the demand reduction is woefully inadequate in the United States, that poor enforcement is a problem as well.

It seems as though, well we got a briefing from the State Department at the U.N. conference recently that was held in Vienna with multi-year preparation and much fanfare. I read some of the directions for the U.S. delegation and they said the single greatest political obstacle that we needed to overcome was the attempt by Latin American nations to blame this on America for consumption, and the fact is that they have tremendous problems internally.

We have all agreed that is why they are moving toward taking their own steps in this problem. But nonetheless, you seem to vitiate that attempt and say that it is the United States' fault for our own demand reduction.

I am curious as to why you have taken this approach, and is this the State Department's view, because it seems to be under a conflict with what we have been saying before.

In addition, and it is not directly related, but the Administration budget proposal is that demand reduction programs have the direct drug control but the budget was reduced by a billion dollars, I.N.M.'s budget, and I would like to know what the Administra-

tion's response is, particularly what the State Department's response is.

And on the same note, it seems that each agency in the U.S. government passes the buck and I will tell you the first place they pass the buck to is Congress. But if we got the demand reduction people up here, they would say we need rigorous law enforcement. If you say law enforcement, they say we cannot stop the international trafficking. And I think the Administration has a great deal—there should be a great deal of fragmentation, that I have just kind of outlined.

I think that has frustrated us to the point of micro-managing, a point that Administration never responds to.

U.S. Share of Responsibility for the International Drug Problem

Mr. PERL. It seems to me that the question basically was: Does the State Department spend too much time saying, in an ineffective sort of way, that it is the United States' fault that we have not reduced demand and this is the core of the problem? And also, it is somehow the State Department's fault, or the Administration's fault, that we have reduced the budget for some of the drug programs?

Mr. GELBARD. I would like to try to address part of it and then let Rayburn address part of the rest.

I actually agree with a lot of what you are saying. If I give the impression that it is all the United States' fault, I think that is absolutely a mistake on my part. Because it is such a rare occasion to have an opportunity to address an audience like this, and since we always spend all of our time—and I mean all of our time—beating up on the Latins, it is a welcome opportunity to beat up on ourselves because we all share the blame.

To have a serious equation, both sides have to make some effort and take some blame, and there is plenty of blame on our side. We do an awful lot of work with the Bolivian government, with the Peruvian government, the Colombians, and others. I, personally, have spent an extraordinary amount of time, much more than I ever expected when I took this job trying to convince Latin governments that this is the kind of anti-narcotics program or that is the kind of anti-narcotics program that they should be implementing.

Yesterday I spent two hours with a representative of the Government of Uruguay, the vice minister of the interior, and even discussed narcotics with him because Uruguayans are becoming concerned about their narcotics problems and we are trying to help them with the trafficking that is beginning to come through their country.

Now, I think you are right that there is an awful lot of energy expended within the Administration in terms of coordinating our efforts and avoiding placing blame on each other. In some ways, we are on new ground. Operation Blast Furnace is a very interesting example of that. It was not just a significant precedent for the Bolivian government, but it was a significant precedent for us, because it was the first time we ever had all those U.S. entities working together, and most notably the U.S. Army, thanks to General Galvin, who at that time was commander of Southern Command.

We made lots of mistakes, but we also had some tremendous successes and we learned a lot from it. We are applying those lessons to put into place some of the ongoing interdiction operations that we are running right now with the Peruvian government, for example.

But it is difficult as agencies begin to get involved in the anti-narcotics business for the first time, to try to reconcile operational differences how to handle like intelligence that is collected with the views of DEA, a law enforcement entity, with how the CIA might handle information. How do you apply the kind of information the Agency can develop to the kind of information that DEA needs to prosecute, or to carry out law enforcement?

Getting the State Department involved more actively in the anti-narcotics business is relatively new. I mean that trying to get people like me involved is relatively new.

And yes, there are difficulties, but I frankly have to say that I am amazed at how much cooperation we have been able to establish over the course of the last couple of years that I have been involved in this. The relationships we have right now with DEA, I think, is significantly better than what we had a couple of years ago, and our relationships with Justice and with U.S. Attorneys who are quite independent, have also improved.

Everybody has his or her own turf. And it is difficult to break down a lot of the very traditional obstacles which have existed. If you think inter-agency coordination is difficult here, you ought to see in some other areas, outside of narcotics. It is not very different.

But I repeat that we are trying to put together a lot more coordinating work right now than was the case a couple of years ago. And I think our coordination is beginning to work a little better.

Mr. PERL. Rayburn, do you think something needs to be added to that?

Background Explaining Fiscal Year 1988 Budget for the Bureau of International Narcotics Matters

Mr. HESSE. It is not correct to say that the Administration reduced the budget for the Bureau of International Narcotics Matters for fiscal year 1988. We proposed a budget of \$98 million, which was approved by the OMB and the President. The discrepancy between our actual 1987 budget and our fiscal year 1988 budget results from the fact that the Anti-Drug Abuse Act was passed after we had already submitted our 1988 fiscal year request to OMB for \$98 million and Congress raised us to a level of \$118 million for fiscal year 1987 and we could not revise the 1988 request.

The fact of the matter is that OMB approved one of the largest increases for any State Department operation, in increasing our budget. It was just that we did not move as fast as the Congress moved in the Anti-Drug Abuse Act.

I think that it is also fair to say—and I have been doing this for 19 years—that we probably have better cooperation across the board, among all these diverse agencies, in the last three or four years, than we have had at any time that I can remember. I do not

think that we are trying to push the blame off on the Congress, nor do I think that we are pushing it all off on U.S. demand.

Strategy for Combating Cocaine Problem

I think all of us need to look at indisputable fact about the cocaine problem. South America right now produces enough illicit coca leaf to manufacture about 300 metric tons of cocaine, of which we consume between 70 to 90. A lot of this is lost to inefficiencies of process. We assume that as we begin to eradicate they are going to become more efficient and we are going to have to take out larger and larger amounts of their crop.

The single biggest problem that we have is the over production of coca leaf. But the fact that Europe and the United States are consuming over 100 metric tons of cocaine keeps that demand high, it keeps that price high. You have got to do both. You have got to reduce supply and you have got to reduce demand, and I think the State Department has been fairly open about saying we have got to move on all of these fronts simultaneously. We have got to control chemical precursor flow out of the United States and other Latin American countries.

There is no single solution and I do not think that anyone from the State Department would ever give you a contrary impression. We are looking at a multi-faceted, multi-tiered strategy. Nothing else is going to work down there. But as far as blaming the Congress, I think our communication to the Congress has been you have given us the authority under section 481, we have accepted the authority, and we have accepted the new certification process. We may disagree on who should be certified and who should not, and I suspect next March 1st we are going to see a bit different approach to that.

But let us go do our job. Do not micro-manage us in the sense of piling all of these sanctions upon us. Let us get the message across and work with these governments. That is what we are there for.

Mr. GELBARD. Can I just add another point?

Mr. PERL. Sure, Bob?

Latin Solidarity, as an Unbendable Rule, Does Not Always Contribute to the Solution of International Narcotics Problems

Mr. GELBARD. You mentioned the point about the Latin countries creating a joint front to blame the United States at the U.N. Narcotics Conference in Vienna. I think it is unfortunate that conferences of that sort tend to become kabuki dances; in some ways, very ritualistic.

It is a sad but true phenomenon that the issue of Latin solidarity tends to come to the fore when there is a large grouping of countries. If you will excuse my referring to Chile again, I noted in my testimony to the Banking Committee last week that no Latin country has ever voted against Chile or any other Latin country in a Development Bank, no matter how bad the loan. It is a fact.

And I think Latin Americans probably get pretty tired of getting beaten up on, too, particularly because their resources and abilities are limited, indeed. So they believe it is never a bad thing to beat up on the United States, particularly when an opportunity like the

Vienna Conference, which is supposed to look at both narcotics supply and demand problems, does indeed present itself.

Mr. PERL. Before we take the last two questions, does anybody on the panel feel that something has been left out, or would they like to make a comment or observations?

Future Anti-Drug Policy Must Move in Tandem With Changing Conditions

Mr. CRAIG. Just two quick remarks. First of all, I think we have seen, through the questions in about the last two hours, a perfect example of this linkage politics I am talking about. You cannot separate domestic and foreign policy on this.

Secondly, I think many of you, who have very solid backgrounds in this area, and those of you who are just beginning, surely realize how very, very complicated this is. It is like a giant tree with nine million limbs and all kinds of branches and all kinds of little twigs and insects crawling on it. That is one of the reasons I have never, ever gotten tired of working on the topic. It never ceases to be fascinating.

Thirdly, in terms of futurizing and to keep everything in perspective, do not forget the international drug scene and the American drug scene are constantly changing.

Ten years ago, it would have been just silly to have a panel like this on cocaine. You might have been talking about marijuana, maybe heroin or speed or whatever else it was. And I daresay that ten years from now, you may be looking at a very, very different international drug scene, a very, very different American drug problem.

You know, one of the great—I hate to say this because it sounds terribly heretical. One of the great fears that I have is that one of these days we are going to wipe out all the natural drugs. There is not going to be any marijuana, there is not going to be any opium, and there is not going to be anymore coca.

In basements in this city, and in Kent, Ohio, there are going to be all those people that flunked out of high school chemistry and they are going to be doing a Cheech and Chong act, where a man says hey, man, let us put a little bit of this in the mix. Oh, no, let us add some of this.

And you talk about people being hurt and killed in the streets and dying! When it goes purely to chemical drugs, it is going to be a very different kind of hearing or session that we will be having here, and that may be the ultimate scenario way down the road. We do not know what is coming. It is always changing.

I think one of the things that we have to do in this country, as legislators or bureaucrats, or international experts or whatever we are, is that we have to keep in mind that it really is not going to be the same thing next year or the year after that or the year after that. We do not really know what it is. As long as people have a desire to escape, they are going to find something to escape with.

Mr. PERL. There was a question, I believe, in the front row, sir?

Sanctions May Not Be Effective

Mr. NOVARRO. I am Rodrigo Novarro from Bolivia, and I heard some of the comments, that we as Bolivians have worked hard on the process of eradication. Now, going back to the sanctions issue, do you think sanctions will make us work harder or easier, to concentrate on cooperating or putting more sanctions to us?

Is it not in your interest to see our program working? And last of all, do you consider yourselves partners? And if you are partners, would you like the other side putting conditions on, saying if you do not pay 50 percent of our program we will stop our program? Would this not backfire on you? Would like to see our legislation putting an amendment that if you do not cooperate enough we will just stop our program, so that whoever, the narcos, will start dumping cocaine on your country? Would that not hurt your country more than our country, probably?

Mr. BLUM. I really cannot speak in any level of detail to the Bolivian situation. I have looked much more closely at a couple of other country problems. I can say this, that I have come to a very hard view. I think that the sanctions legislation, at one level, does not begin to tell the story. In my view, there are some governments that have behaved so badly in this that we should re-examine the totality of our relationship with them, that they have been sufficiently corrupted at a sufficiently high level, refused to arrest, refused to extradite, refused to destroy, so that as far as I am concerned, they represent a national security threat to my country.

You can say, how can you talk that way? Well, I happen to have a teenage son. To me, on the short list of national security threats is anything that can be sold to that kid in his high school. I do not like the idea of that stuff being available for him and I think that is about as serious as anything in this country gets.

That happens to be not just my view but the view of a lot of my suburban neighbors who do not work for the Federal government, who work in all kinds of other areas. They are very upset and anxious to protect their children.

So what starts happening, in the perception of ordinary American citizens, is that we get into sophisticated conversations with people that produce no results and the flow continues and you can say hey, I think that those guys in that place are not dealing with us straight, they are being cynical about it.

Maybe the tone we have to take is a very hard tone, the kind of position that has been reserved hither to when the issues are communist, anti-communist, for example. If we start approaching it with that kind of thinking, it may very well be that we will begin to achieve some results.

I think it is essential that every government that deals with us understand the seriousness of this issue to average people in the United States. I am talking about the people who vote, and that it is not a game and that this is something that we are going to be yelling about and doing things about.

Now, in the particular, do I think sanctions are effective? Do I think that the foreign aid legislation that was passed in the great drug bill of the last session was wise? I have to answer no. That is a personal opinion, obviously.

But do I think that we have to keep the heat on, you bet. And do I think that heat has to be serious and severe where deserved? You bet. In my view, in a couple of cases, sanctions are just a joke next to what I would do.

Mr. PERL. Bob, do you want to comment on that briefly?

Mr. GELBARD. One of the things I have been struck by in the past, has been a very serious and sincere concern about this kind of threat. And yes, I would agree that there are probably some nations whose attitudes are cynical, and where anti-narcotics policy has become not only one of the most important issues, but perhaps the only issues.

The question that I think deserves serious consideration is what do we do? I think it is important to think very clearly and very logically about how far we do go. Do we actively work to overthrow a government, a democratically elected government? That is obviously a serious matter.

It is also a possible issue. It is one for which we have been condemned before, but I certainly know that there are some people, including people on the Hill, who have advocated a similar action now as a demonstration blast, if you will, for all nations involved confronting the narcotics problem.

I think there are some fundamental questions about our national philosophy, about how we look at our various goals and priorities and how we weigh them. I am not pre-judging, really; I am just trying to say that I think these are the important considerations that we are beginning to consider. These are dangerous considerations, but they certainly deserve careful attention and our having a very clear understanding of what this Nation is about before we head in those directions.

FINAL COMMENTS

Mr. PERL. I want to thank our panelists and thank you for participating in this seminar.

Thank you.

[Applause.]

[Whereupon, the seminar was concluded.]

